ARTHUR ANDERSEN &CO.

A. E. McKENZIE CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS AS AT OCTOBER 31, 1987 AND 1986

TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

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To The Shareholders of
A.E. McKenzie Co. Ltd.:

We have examined the consolidated balance sheets of A.E. McKENZIE CO. LTD. (a Manitoba Crown Corporation) as at October 31, 1987 and 1986 and the related consolidated statements of operations, deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1987 and 1986 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

December 18, 1987

A. E. McKENZIE CO. LTD.

CONSOLIDATED BALANCE SHEETS--OCTOBER 31, 1987 AND 1986

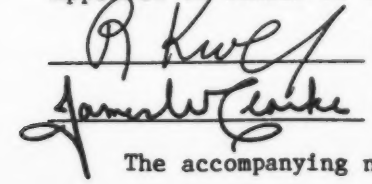
ASSETS (Note 6)

	1987	1986
CURRENT ASSETS:		
Cash and term deposits	$ 2,000	$ 102,950
Accounts receivable (Note 5)	1,812,348	1,573,223
Inventory (Note 5)	4,950,678	5,540,694
Prepaid expenses	73,261	74,276
Total current assets	$ 6,838,287	$ 7,291,143
EQUIPMENT UNDER CAPITAL LEASE (Note 4)	231,890	223,224
FIXED ASSETS (Note 2)	988,305	1,030,385
OTHER ASSETS (Note 3)	268,987	217,346
	$ 8,327,469	$ 8,762,098

LIABILITIES AND SHAREHOLDERS' INVESTMENT

CURRENT LIABILITIES:		
Bank loan and cheques issued in excess of funds on deposit (Note 5)	$ 113,211	$ 501,395
Accounts payable and accrued liabilities	1,632,519	1,618,986
Current portion of capital lease (Note 4)	110,906	82,537
Current portion of long-term debt (Note 6)	222,497	260,090
Total current liabilities	$ 2,079,133	$ 2,463,008
OBLIGATIONS UNDER CAPITAL LEASE (Note 4)	184,119	200,677
LONG-TERM DEBT (Note 6)	251,177	473,674
Total liabilities	$ 2,514,429	$ 3,137,359
CONTINGENCIES (Note 8)		
SHAREHOLDERS' INVESTMENT:		
Share capital (Note 7)	$12,268,500	$12,268,500
Deficit	(6,455,460)	(6,643,761)
Total shareholders' investment	$ 5,813,040	$ 5,624,739
	$ 8,327,469	$ 8,762,098

Approved on behalf of the Board:



Director

Director

The accompanying notes are an integral part of these balance sheets.

A. E. McKENZIE CO. LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED OCTOBER 31, 1987 AND 1986

	1987	1986
SALES	$14,013,575	$14,243,305
COST OF SALES	7,666,122	7,966,170
GROSS PROFIT	$ 6,347,453	$ 6,277,135
EXPENSES:		
Selling, marketing and distribution	$ 4,674,092	$ 4,431,121
Administration	1,342,767	1,356,779
	$ 6,016,859	$ 5,787,900
	$ 330,594	$ 489,235
OTHER INCOME	93,183	75,251
NET OPERATING INCOME	$ 423,777	$ 564,486
INTEREST (Notes 4, 5 and 6):		
Long-term	$ 77,590	$ 110,765
Short-term	118,390	106,583
Capital lease	39,496	43,599
	$ 235,476	$ 260,947
NET INCOME	$ 188,301	$ 303,539

The accompanying notes are an integral part of these statements.

A. E. McKENZIE CO. LTD.

CONSOLIDATED STATEMENTS OF DEFICIT

FOR THE YEARS ENDED OCTOBER 31, 1987 AND 1986

	1987	1986
DEFICIT, Beginning of year	$(6,643,761)	$(6,947,300)
NET INCOME	188,301	303,539
DEFICIT, End of year	$(6,455,460)	$(6,643,761)

The accompanying notes are an integral part of these statements.

A. E. McKENZIE CO. LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED OCTOBER 31, 1987 AND 1986

	1987	1986
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income	$ 188,301	$ 303,539
ADD (DEDUCT) - Items not affecting cash:		
Depreciation and amortization	391,047	390,966
Gain on sale of fixed asset	(73,853)	(2,669)
	$ 505,495	$ 691,836
(Increase) decrease in accounts receivable	(239,125)	14,438
Decrease (increase) in inventory	590,016	(445,447)
Decrease (increase) in prepaid expenses	1,015	(23,146)
Increase (decrease) in accounts payable and accrued liabilities	13,533	(761,431)
	$ 870,934	$ (523,750)
CASH PROVIDED BY (USED IN) FINANCIAL ACTIVITIES:		
Redemption and reduction of long-term debt	$ (260,090)	$ (262,586)
Proceeds of bank loan and cheques issued in excess of cash on deposit	(388,184)	501,395
	$ (648,274)	$ 238,809
CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES:		
Purchase of equipment under capital lease	$ (104,235)	$ (36,067)
Purchase of fixed assets	(159,577)	(231,141)
Disposal of fixed assets	76,027	17,453
Design development costs	(147,636)	(103,782)
Increase (decrease) in obligations under capital lease	11,811	(36,126)
	$ (323,610)	$ (389,663)
DECREASE IN CASH	$ (100,950)	$ (674,604)
CASH AND TERM DEPOSITS, beginning of year	102,950	777,554
CASH AND TERM DEPOSITS, end of year	$ 2,000	$ 102,950

The accompanying notes are an integral part of these statements.

A. E. McKENZIE CO. LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1987 AND 1986

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company:

(a) Accounts Consolidated

These financial statements consolidate the accounts of A. E. McKenzie Co. Ltd. and the following wholly owned subsidiaries:

Steele Briggs Ltd.
McFayden Seeds Ltd.
Pike & Co. Ltd.
Canada Seeds Ltd.

(b) Inventory

Inventory is valued at the lower of cost or net realizable value. Cost of manufactured goods and work-in-process includes material, labor and plant overhead. Cost of finished packets is determined at average cost by variety. Cost for bulk seed is determined at laid-down cost by specific item. Inventory purchased for resale, packaging and shipping materials are valued at an average laid-down cost by item. Provision has been made for obsolescence, germination and slow moving stocks.

(c) Depreciation - Fixed Assets

Depreciation of fixed assets is recorded on the straight-line basis using the following rates:

Buildings	-	2%
Building renovations	-	10%
Equipment	-	10%
Leasehold improvements	-	Term of Lease
Display stands and trays	-	20%
Equipment under capital lease	-	20%

(d) Amortization - Other Assets

i) Computer development costs are amortized on a straight-line basis over five years.

ii) Design development costs associated with new products are amortized on a straight-line basis over five years. Unamortized design development costs for products discontinued are written off completely in the year of discontinuation.

iii) Goodwill is amortized on a straight-line basis over 10 years.

(e) Foreign Exchange

The accounts of the Company denominated in foreign currency have been translated to Canadian dollars on the following basis:

i) Income and expenses are translated using the average currency rates in effect during the period.

ii) Monetary items (primarily accounts payable) are translated at the exchange rate at the financial statement date.

iii) Non-monetary items (primarily inventories) are translated at their historic exchange rates.

The resulting foreign currency gains or losses are included in other income in the current year.

(f) Pension Cost

The Company maintains two fully funded pension plans for its employees.

Pension cost related to the cost-based plan are recorded based on the required contribution under the formula stated in the plan.

Pension cost related to the benefit-based plan are recorded based on the cost of pension entitlements accrued during the period.

During 1986 certain changes were made to the Company's benefit-based pension plan to provide improved benefits to employees and pensioners covered by the plan. The cost of increased past service benefits was funded from the accumulated surplus in the plan.

(g) Revenue Recognition

A substantial portion of the Company's sales are made on a guaranteed sale or consignment basis.

During the year the Company records all shipments as sales, with a provision for returns based on historical experience.

As of the yearend date, substantially all returns have been processed. For returns which have not been processed, the Company records a provision based on its actual returns for the year.

(h) Income Tax

The Corporation is owned by the Manitoba Government and its agency, the Manitoba Development Corporation. It is therefore exempted from income tax.

2. FIXED ASSETS

	1987		1986	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 30,953	$ -	$ 30,953	$ -
Buildings	1,716,915	1,180,028	1,624,836	1,103,674
Equipment	1,541,575	1,217,819	1,570,297	1,215,538
Leasehold Improvements	85,042	72,618	85,042	62,448
Trays	67,982	58,711	56,393	53,672
Display Stands	446,914	371,900	432,509	334,313
	$ 3,889,381	$ 2,901,076	$ 3,800,030	$ 2,769,645
Cost less accumulated depreciation	$ 988,305		$ 1,030,385	

3. OTHER ASSETS

	1987		1986	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Development - Design	$ 550,372	$ 359,068	$ 402,736	$ 279,694
- Computer	63,487	60,905	63,487	59,284
Goodwill	150,101	75,000	150,101	60,000
	$ 763,960	$ 494,973	$ 616,324	$ 398,978
Cost less accumulated amortization	$ 268,987		$ 217,346	

4. LEASES

During the current year the Company purchased additional computer equipment and a new packaging machine. The equipment is being amortized over a 5 year period. The net book value is as follows:

	1987	1986
Equipment under Capital Lease	$ 537,652	$ 433,416
Less: Accumulated Amortization	305,762	210,192
	$ 231,890	$ 223,224

4. LEASES (continued)

The future minimum lease payments under capital and operating leases that have initial or remaining non-cancelable terms in excess of one year at October 31, 1987 are as follows:

	Capital Leases	Operating Leases
1988	$141,434	$191,318
1989	112,844	100,361
1990	40,246	78,719
1991	28,483	72,600
1992	20,150	36,300
Total Minimum Lease Payments	$343,157	$479,298
Less: Imputed Interest at 13.5%	48,132	
	$295,025	
Present Value of Obligations Under Capital Lease Due Within One Year	110,906	
Long-Term Obligations Under Capital Lease	$184,119	

Aggregate rentals paid on operating leases for real estate, automobiles, computer software and other equipment for the year ended October 31, 1987 amounted to $346,794 (1986 - $335,178). The Company is responsible for all operating costs related to the above. The Company has also guaranteed certain minimum values for automobile leases.

5. BANK LOANS

Bank loans which are required from time to time are secured by inventory, accounts receivable and the assignment of the fire insurance policy. Bank loans bear interest at prime.

6. LONG-TERM DEBT

	1987	1986
Demand debenture, repayable in monthly instalments of principal and interest amounting to $22,339, interest at a fixed rate of 12.5% maturing 1989	$ 473,674	$ 670,764
Promissory note, repayable in annual instalments of $63,000 plus interest at the prime lending rate, maturing 1987	-	63,000
	$ 473,674	$ 733,764
Current Portion	222,497	260,090
	$ 251,177	$ 473,674

Principal payments due in the next two years for all of the long-term debt described above:

1988 - $222,497
1989 - $251,177

The demand debenture held by the Manitoba Development Corporation is secured by a fixed and floating charge on all assets of the Company subject to prior security held by the bank.

7. SHARE CAPITAL

Authorized		
2,000	Class A common shares, maximum consideration $200,000	
5,000,000	Class B common shares, maximum consideration $5,000,000	
5,000,000	Class A preferred shares, non-voting, cumulative dividends at the rate of 6% per share per annum, redeemable, maximum consideration $5,000,000	
7,154,000	Class B preferred shares, non-voting, non-cumulative dividends at the rate of 6% per share per annum, redeemable, convertible, maximum consideration $7,154,000	
Issued and fully paid		
1,145	Class A common shares	$ 114,500
5,000,000	Class A preferred shares	5,000,000
7,154,000	Class B preferred shares	7,154,000
		$12,268,500

The Class A preferred shares are redeemable, at the option of the holder and the Company, at $1.00 per share together with any dividends accrued thereon and unpaid. Dividends in arrears at October 31, 1987 were $1,500,000.

The Class B preferred shares are redeemable at $1.00 per share together with any dividends declared and unpaid.

The preferred shares are convertible only with the written approval of the Lieutenant-Governor in Council of the Province of Manitoba. The terms of conversion have not been specified.

All of the issued common shares are owned by the Province of Manitoba. All of the issued preferred shares are owned by the Manitoba Development Corporation.

8. CONTINGENCIES

The Company is a party to certain litigation arising in the normal course of business, the aggregate effect of which, in the opinion of management, would not have a material effect on the Company's consolidated financial statements.